

# Fiscal Note

*Fiscal Services Division*



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**HF 749** – Food Warehouse, Department of Corrections (LSB 1236HV)  
Analyst: Beth Lenstra (Phone: 515-281-6301) ([beth.lenstra@legis.state.ia.us](mailto:beth.lenstra@legis.state.ia.us))  
Fiscal Note Version – New  
Requested by Representative Steven F. Lukan

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## **Description**

**House File 749** permits the Treasurer of State to enter into a financing agreement for the Department of Corrections (DOC) to create a centralized warehouse, supply depot, and distribution facility. The DOC indicates the facility will be built at the Newton Correctional Facility.

## **Background**

1. Currently, the Department of Human Services (DHS) operates a Central Distribution Center (CDC) at Woodward. The facility was expanded in FY 2003 using the Treasurer of State's lease-purchase program. There is \$56,000 outstanding on that loan, which is being paid from the CDC Revolving Fund. In FY 2004, roof repairs cost approximately \$220,000.
2. There are currently five full-time staff and three part-time staff employed at the CDC at Woodward. These staff may remain employed by the CDC while the DOC warehouse is being built, transfer to the DOC once the new warehouse becomes operational, seek employment elsewhere in State government, retire, or be laid off.
3. The DHS indicates the current warehouse may be used for storage or rented out, once the DOC warehouse becomes operational.
4. House File 2660 (FY 2009 Justice System Appropriations Act) created the Central Warehouse Fund in the DOC and permitted other State and local governments to use the DOC Central Warehouse when it becomes operational. The Act also required the Department of Human Services (DHS) to use the DOC Warehouse.
5. The DOC estimates construction cost of the new warehouse to be \$3,565,000; the Bill limits construction costs to \$3.5 million. Last year, the construction cost estimate was \$1.8 million.
6. The Treasurer of State estimates the annual financing payment to be \$300,000 annually for each of the next 20 years, for a total cost of \$6.0 million (principal plus interest) over the life of the agreement.
7. Section 12.28(6), Code of Iowa, limits the maximum amount of principal to be financed by a State agency to \$1.0 million annually, unless a constitutional majority of each Chamber of the General Assembly and the Governor approve the lease-purchase agreement. This Section also prohibits financing a prison or a prison-related facility without prior authorization of a constitutional majority of each Chamber of the General Assembly and the Governor. House File 749 notwithstanding this subsection.

## **Assumptions**

1. All costs associated with closing the CDC at Woodward, including payment of any unemployment costs and the outstanding lease payments, would be paid from the CDC Revolving Fund.
2. The lease payments will be made from receipts generated by the sale of product distributed through the DOC Warehouse. Potential purchasers include DOC and DHS Institutions, and

potentially Community-Based Corrections (CBC) District Departments, county jails, and the Iowa Veterans Home.

3. The bulk of the sales are currently generated by the DOC Institutions. The DOC will be billing itself and depositing the receipts into the DOC Warehouse Fund created by the 2008 General Assembly.

### **Fiscal Impact**

There is no direct fiscal impact to the State General Fund. The new DOC Warehouse will be self-supporting through receipts and fees, including payment of financing costs.

There is a potential for savings to the DOC for food operations. However, most if not all of the savings would be applied to financing costs for the next 20 years.

The potential maximum liability in vacation, sick leave, and unemployment benefits is estimated at \$49,000 for the DHS staff. These costs, as well as the outstanding lease costs of \$56,000, would be paid from the CDC Revolving Fund.

### **Sources**

Department of Corrections  
Department of Human Services  
Office of the Treasurer of State

/s/ Holly M. Lyons

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March 23, 2009

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56, Code of Iowa](#). Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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